

Long payment time adds to exporters' liquidity woes

MUKESH JAGOTA
New Delhi, October 21

BESIDES HIGHER COSTS and other difficulties, the disruption caused by the two war zones has added to the liquidity woes of exporters as they deal with longer payment schedules and the impact of the situation on export credit, which is consistently falling since 2022.

At the end of March 2022 quarter, the outstanding export credit stood at ₹2.27 lakh crore. By the end of March this year, it was down to ₹2.17 lakh crore. Some part of the export credit that is given to agriculture and micro, small and medium enterprises comes under priority sector lending (PSL).

The export credit under PSL was down to ₹11,530 crore in August this year, from ₹21,599 crore in August 2022. While exports grew 15% between 2021-22 and 2023-24, the export credit declined by 5%.

On top of falling credit, the Red Sea disruptions have added to the liquidity pressures on exporters as payments are taking more time. "Their (exporters') goods are taking more time for delivery and because of the slowdown in the major markets, offtake is slow. All this has increased the time period of payment from less than 90 days to 120-150 days," director general and chief executive officer of the Federation of Indian Export Organisations Ajay Sahai said.

Exporters now require more credit for a longer period and costs for them have increased, he said.

Despite the Export Credit Guarantee Corporation increasing the coverage of default in payment against exports to 90%, many of the banks have not reduced the collateral requirements, leading to a reduction in credit off-take by the sector.